



FULL YEAR RESULTS PRESENTATION

Financial Year 2017



Mitchell
SERVICES

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MITCHELL SERVICES MARKET PROFILE

ASX Information

ASX Stock Symbol: MSV

Shares Issued: 1,476,414,072

Share Price (at 29/8/2017): A\$0.037

Market Capitalisation: A\$54.6m

Board of Directors

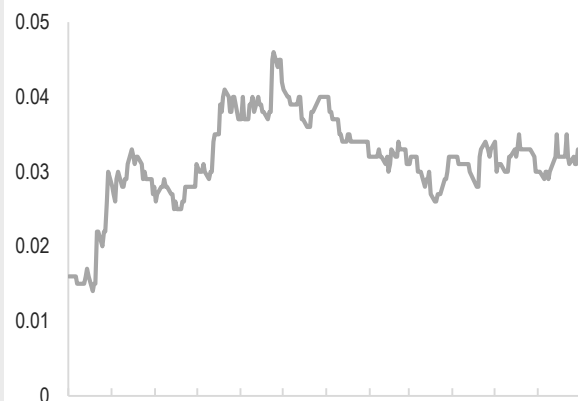
Executive Chairman – Nathan Mitchell

Non-Executive Director – Peter Miller

Non-Executive Director – Robert Douglas

Non-Executive Director – Neal O'Connor

12 Month Closing Share Price



Senior Management Team

Chief Executive Officer – Andrew Elf

CFO & Company Secretary – Greg Switala

GM People and Risk – Josh Bryant

GM Commercial – Todd Wild



SAFETY UPDATE

- Finishing each day without harm is a **core Mitchell Services value**
- Key initiatives implemented to **strengthen safety culture** and performance have primarily focused on key risks and field leadership
- **7.8% improvement** in Total Recordable Injury Frequency rate year on year
- Mitchell Services had **zero recordable injuries** across all underground operations during the reporting period



2017 BUSINESS OVERVIEW

8,357 shifts in FY2017

↑ **28%**
from FY2016

Total recordable injury
frequency rate improved by

7.8%
from FY2016

200+

experienced employees

Major project wins increase
geographical diversity and
materially **increase operating
rig count**

330% increase
in EBITDA to
\$2.2m with **\$4.3m**
cash flow from operations

Total revenue of \$40.30m

↑ **22%**
from FY2016 driven by a 21%
increase in operating rig count

RESULTS OVERVIEW

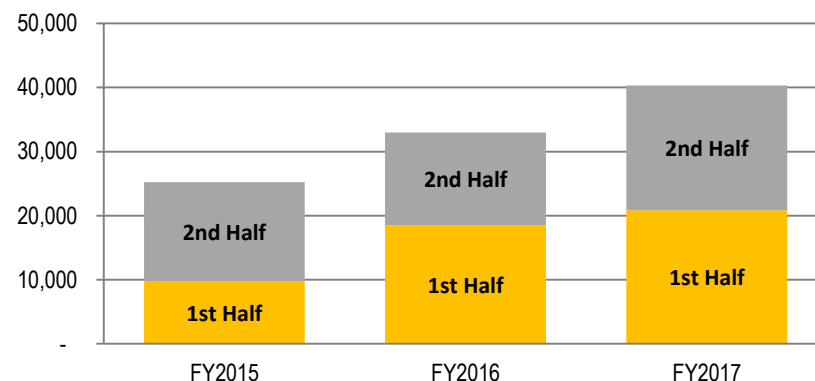
Profit & Loss

	FY17	FY16	FY15	Change
	\$000's	\$000's	\$000's	%
Revenue	40,303	32,970	25,233	22%
EBITDA	2,238	522	(4,322)	328%
EBIT	(3,197)	(4,795)	(12,648)	(33%)
NPBT	(4,407)	(6,049)	(16,999)	(27%)

Balance Sheet

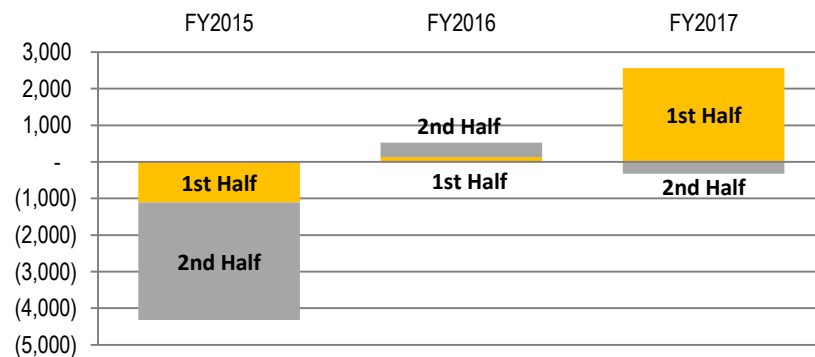
	30 Jun 17	30 Jun 16	Change
	\$000's	\$000's	%
Current assets	10,100	8,375	21%
Property, plant and equipment	29,907	30,251	(1%)
Other non-current assets	30	18	67%
Total assets	40,037	38,644	4%
Current liabilities	12,139	8,276	47%
Non-current liabilities	13,253	12,396	7%
Total liabilities	25,392	20,672	23%
Net assets	14,645	17,972	(19%)

Revenue (\$000's)



Revenue increase year on year in line with continued increase in operating rig count

Statutory EBITDA (\$000's)

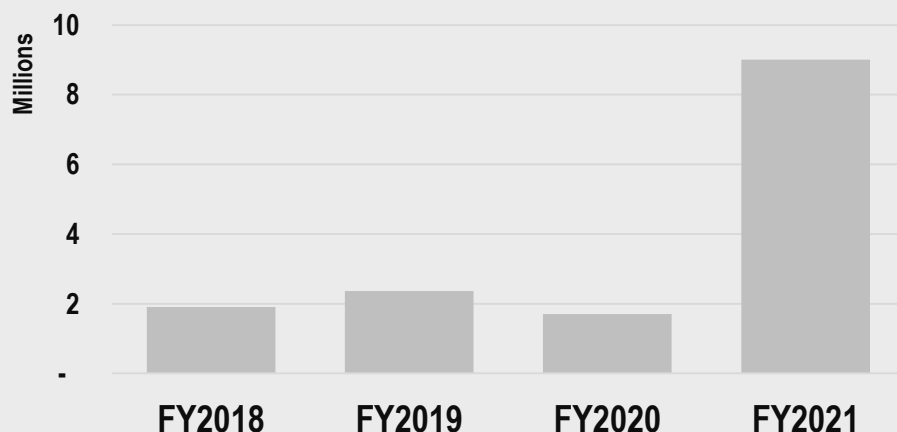


2nd Half FY2017 EBITDA impacted by ramp up costs associated with material Tier 1 contract awards

GROUP DEBT PROFILE

Balance sheet reflective of growth organisation in an improving market

Principal Debt Maturity



	30 Jun 17	30 Jun 16
	\$000's	\$000's
Equipment finance	6,476	5,637
Overdraft	535	600
Shareholder loans	8,500	8,500
Total	15,511	14,737

Shareholder Loans

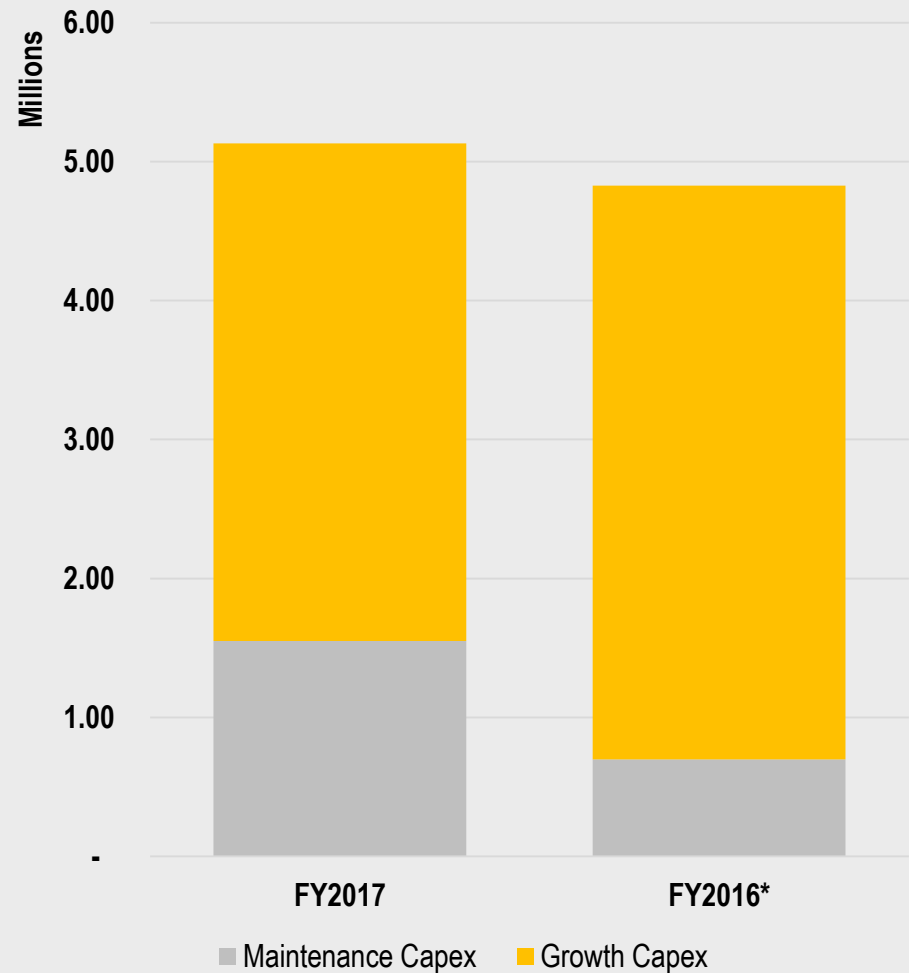
- Originated in 2015 as a funding mechanism for the Nitro asset acquisition
- Interest at 10% pa.
- Matures July 2020
- Secured by all ex-Nitro assets
- Debt is not convertible to equity
- Received from major shareholders

Washington H Soul Pattinson & Company Limited and Mitchell Family Investments (Qld) Pty Ltd

Figures based on debt levels at 30 June 2017

CAPITAL EXPENDITURE

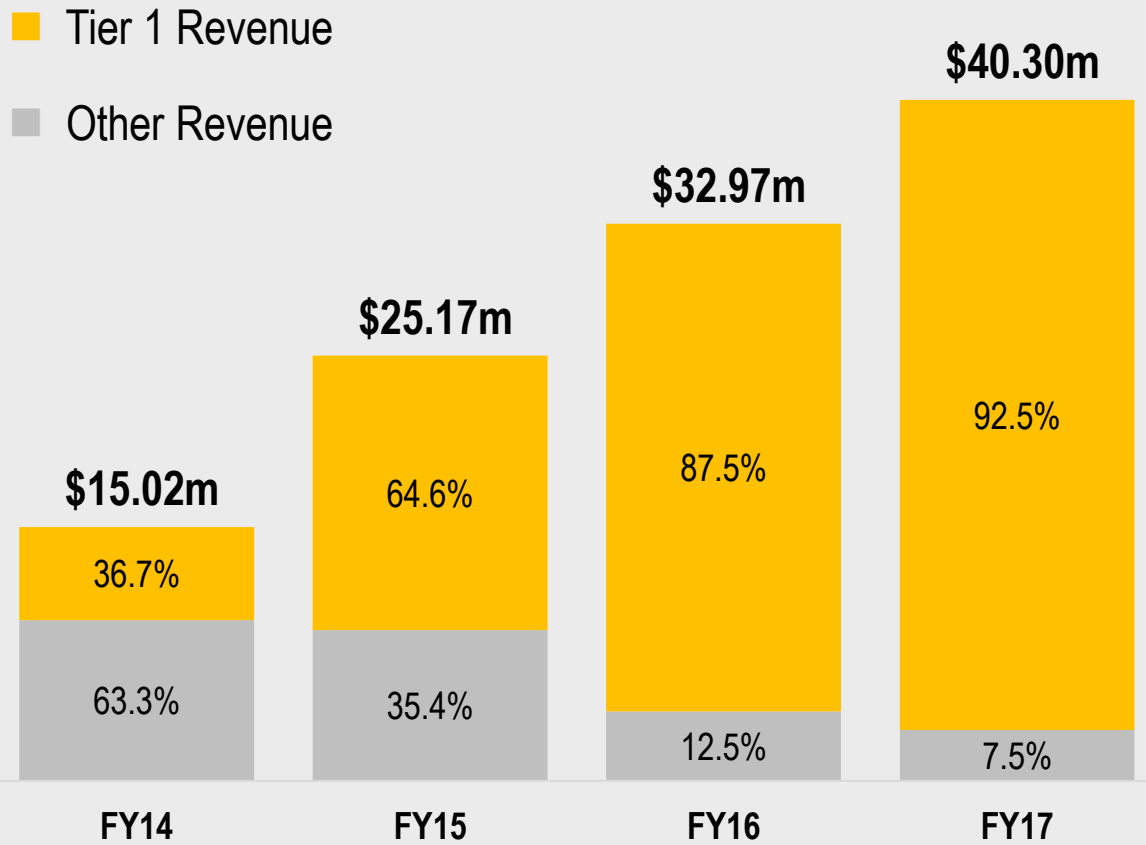
- Growth capital expenditure is primarily made up of new rigs and ancillary equipment to support growth in the underground and large diameter markets
- Maintenance capital expenditure includes all capital expenditure on existing rigs and equipment, it represents 29% of the Groups annual depreciation and amortisation



*Excludes Nitro asset acquisition \$15.8m

OPERATING REVENUE BY CLIENT TYPE

Strong year on year revenue growth

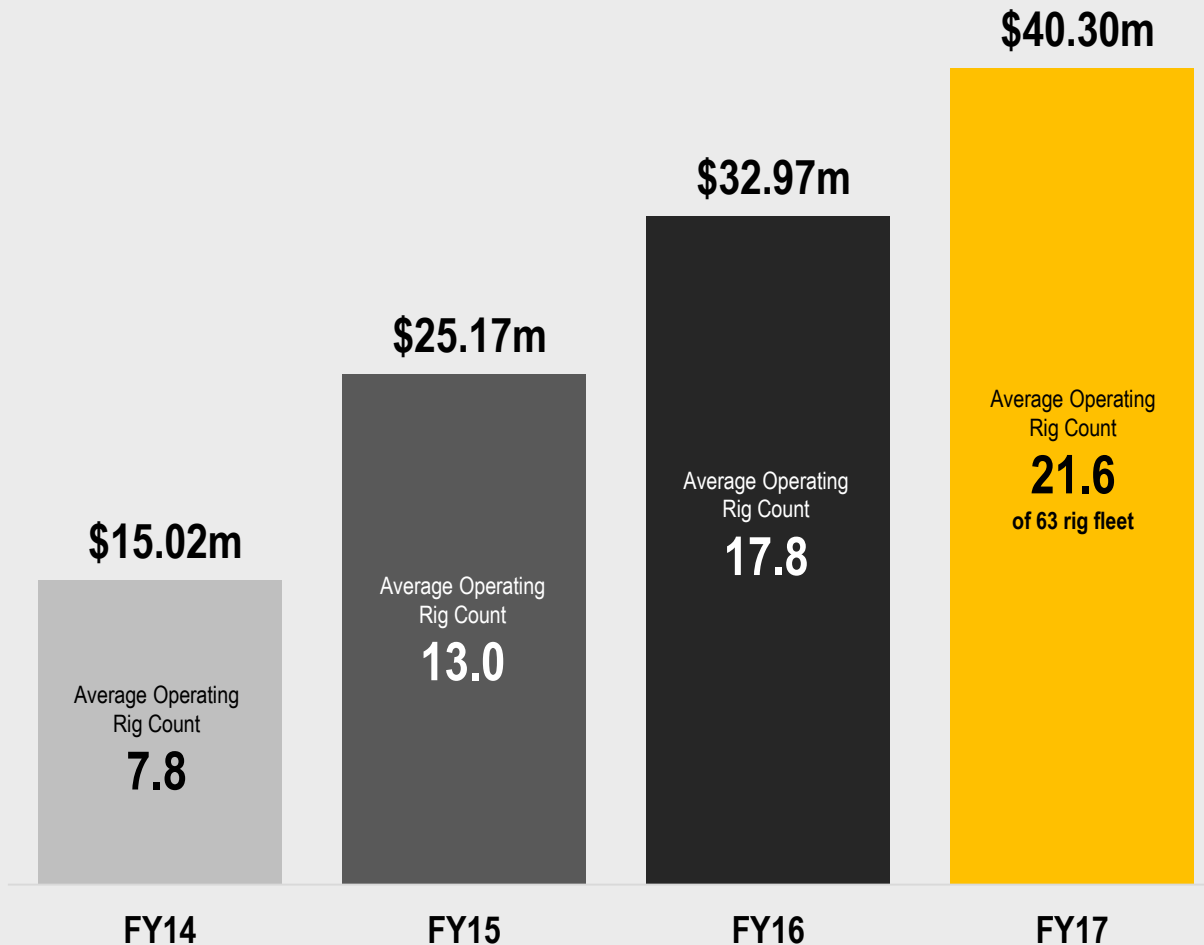


VALUE OF TIER 1

- Large / multinational mining and energy companies
- Very high safety and business system requirements
- Generally brownfield work for existing mining operators
- Longer term contracts

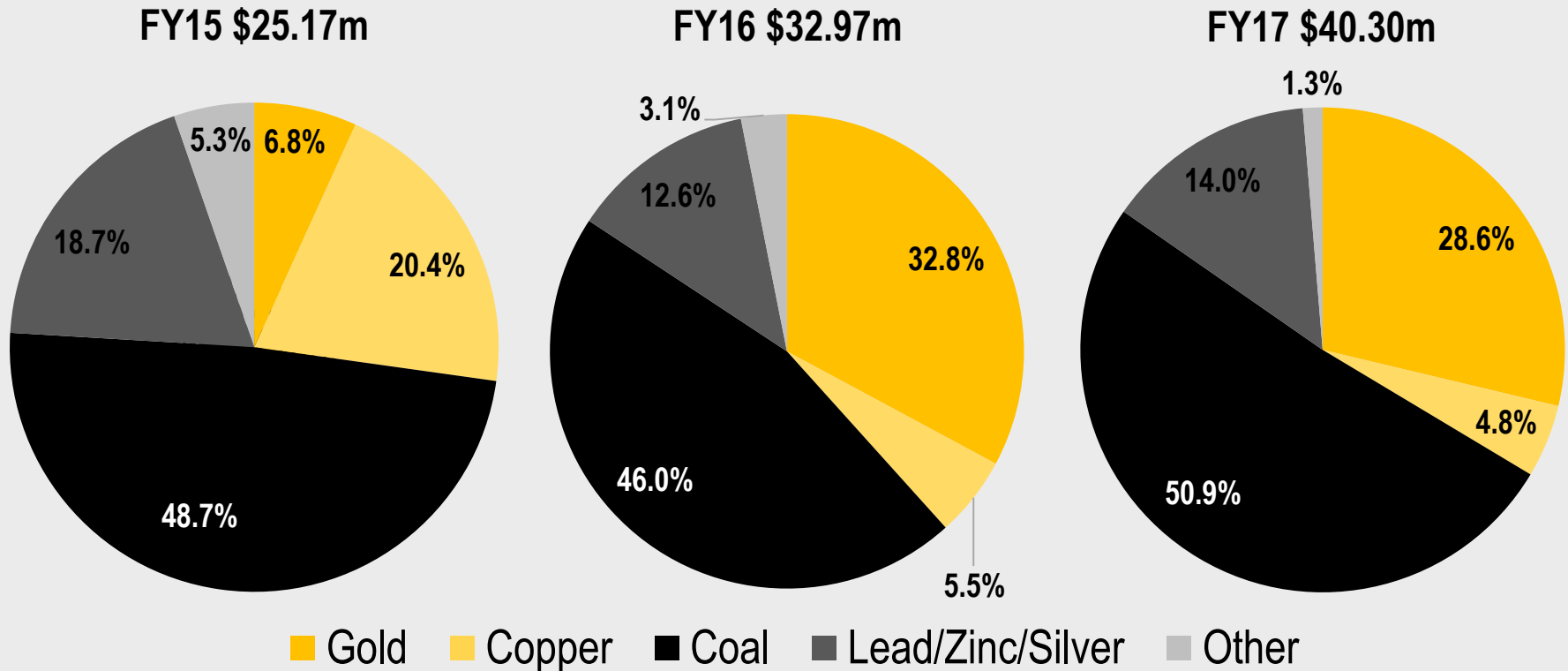
*large / multinational mining & energy companies

IMPACT OF INCREASED UTILISATION ON REVENUE



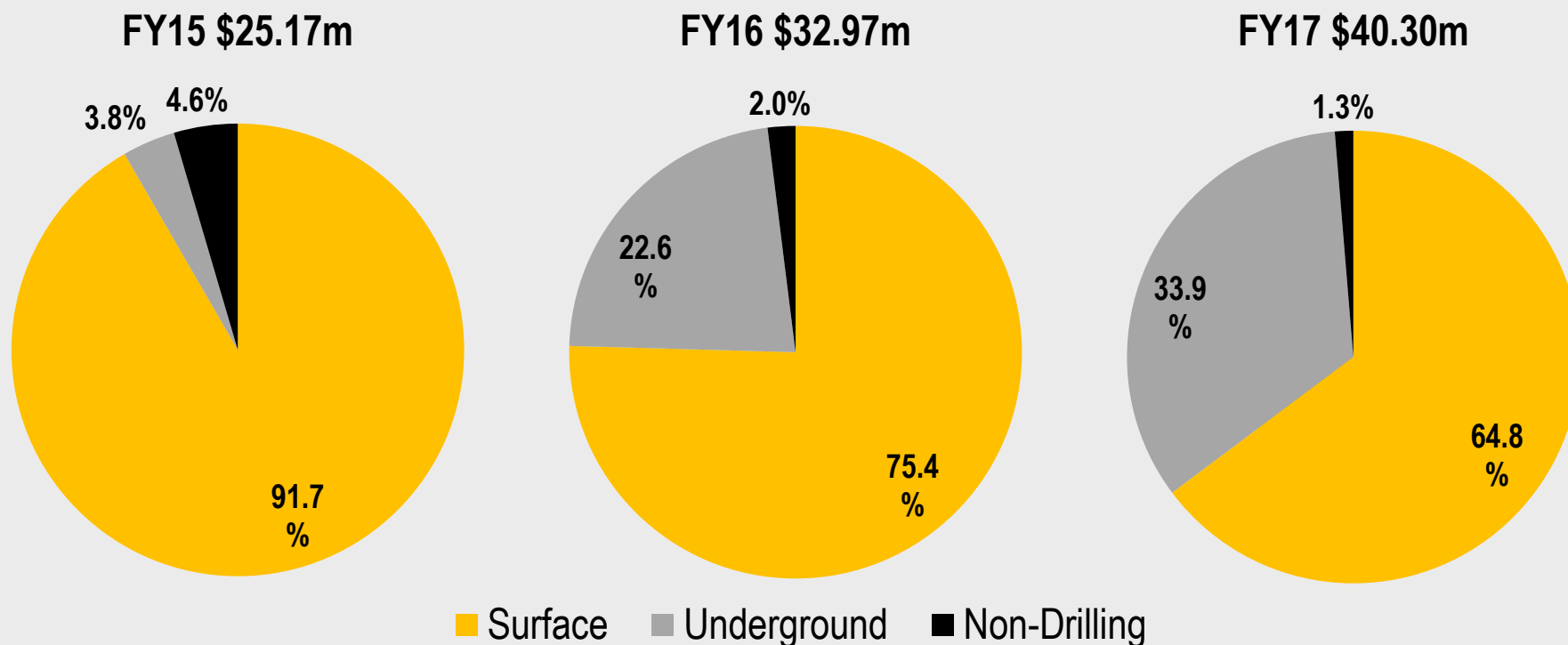
- Mitchell Services was EBITDA positive at less than 35% annual rig utilisation in current pricing environment in FY17
- We expect to be at 60%+ rig utilisation in the near future as a result of recent contract wins
- Operating rig count subject to change due to seasonality or other factors

OPERATING REVENUE BY COMMODITY



Management remains mindful of the importance of diversification in revenue streams including diversity in commodity mix. Our commodity mix remains well balanced with revenue from coal and revenue from minerals accounting for 51% and 48% of total operating revenue respectively.

OPERATING REVENUE BY DRILLING TYPE



Increase in underground revenue strengthens overall revenue diversity

Management remains mindful of the importance of diversification in revenue streams including diversity in the mix between underground and surface drilling. Underground drilling is generally performed on a double shift basis and is generally not subjected to seasonal fluctuations. Revenue from underground drilling has grown by 84% compared to 2016 and now accounts for 34% of our total operating revenue.

LEVERAGE IN AN IMPROVING MARKET

- **STAGE 1: UTILISATION INCREASES**
- More rigs start working (This is happening)
- **STAGE 2: PRODUCTIVITY IMPROVES AS UTILISED RIGS WORK MORE SHIFTS**
- Seasonality impact reduces as rigs work through the wet season (This is starting to happen in limited areas)
- More rigs work 24 hours a day 7 days a week versus 12 hours a day (Limited rigs in the Energy sector work 24 hours a day)
- **STAGE 3: PRICE INCREASES AS SUPPLY AND DEMAND CHANGES IN FAVOUR OF SERVICE PROVIDERS**
- On average across a range of different drilling types prices are still circa 20% - 40% below those of the highs in the last cycle (Large Diameter, Surface and Underground)
- HQ Core in the Energy sector is circa \$110 per metre down from \$150 per metre
- **STAGE 4: GENERAL CONTRACT TERMS & CONDITIONS IMPROVE**
- Larger up front mobilisation charges to manage ramp up costs
- Larger demobilisation charges
- Take or pay contracts
- More flexible pricing schedule of rates

EBITDA as a percentage of revenue will increase significantly if the market continues to improve

MARKET OUTLOOK

- **Competitive Profile** of the market has improved but has now stabilised.
- **New entrants** are still faced with **barriers** to entry such as high capital cost and inability to secure financing.
- **Copper** and **zinc** are strengthening in Queensland.
- **Gold** in Western Australia is “hot”.
- **Greenfield** exploration sector showing some “**green shoots**”.
- Established **mining clients** are **increasing spending** on drilling
- **Ability to leverage** to the upside as general market conditions **improve**. (Utilisation, price, productivity and general contract terms and conditions)



SUMMARY

- Mitchell Services vision is to be **Australia's leading provider of drilling services** to the global exploration, mining and energy industries
- Significant increase in **rig utilisation** to circa **40 rigs** in the near future.
- Successful **geographical expansion** to date and entry into Western Australia planned in FY18.
- Increase in **underground** revenue strengthens overall **revenue diversity**
- Ability to **leverage increased returns** in an improving market
- Mitchell Services has an **experienced board** and management team who have **proven success** in business development and growth

